

TRADE BARRIERS AND THE LEAGUE OF NATIONS

by

HARVEY J. BRESLER

with the aid of the Research Staff of the Foreign Policy Association

THE POST-WAR REGIME OF PROTECTIONISM

IN view of the present international depression, it may be useful to review the efforts of the League of Nations to remove what are ordinarily regarded as obstacles to world economic recovery; namely, nationalistic obstructions to world trade such as tariffs and import and export restrictions. This report shows that the League of Nations has not yet succeeded in securing the removal of these nationalistic trade restrictions. Nevertheless, as an outgrowth of League discussions, a number of other efforts at economic cooperation are being made, upon a more limited scale, which show promise of success. These efforts will be reviewed in a subsequent report.

Following the World War, it was natural perhaps for the doctrine of economic nationalism to be applied ruthlessly by the leading nations of the world. The powerful states wished to consolidate the industrial gains made under the artificial stimulus of war production, while the newly established states wished to secure economic independence. As a result, the economic policy of many nations was soon characterized by a pronounced protectionism and by various other practices calculated to drive out foreign competition by favoring domestic enterprise.¹ From the economic standpoint the imposition of such measures obstructed the exchange of goods necessary for the economy of various countries; and, since the policy of economic nationalism was based on the principle that domestic progress could be obtained only by

doing injury to foreign competition, the application of this policy created political ill-will.

INCREASE OF TARIFFS

The principal feature of this post-war policy of economic protectionism has been the rising tide of tariffs. The leading powers—France, Germany, Italy and Spain—have increased their duties within recent years, and the smaller and newer states of Europe have also established high tariff régimes.²

Even England, long the stronghold in Europe of free trade, has yielded to the general trend, and since 1921 has imposed duties averaging 33 1/3 per cent on the admission of certain important foreign-made products which adversely affect British so-called key industries.³

During the eight months prior to February 1930, twelve European countries initiated measures for new tariffs, twenty-two countries introduced fairly important increases in duties on industrial products and thirteen countries effected similar modifications in agricultural duties.⁴ Furthermore, according

Printing Office, 1924); G. M. FISK and P. S. Peirce, *International Commercial Policies* (New York, Macmillan, 1923); W. S. Culbertson, *Commercial Policy in War Time and After* (New York, Appleton, 1919); Percy Ashley, *Modern Tariff History* (3rd ed., London, Murray, 1920); R. L. Buell, *International Relations* (rev. ed., New York, Holt, 1929); Jacob Viner, *Memorandum on Dumping* (League of Nations, Economic and Financial Section, C.E.C.P.36(1), Geneva, 1926).

2. "In Europe the problem has been complicated by political readjustments which have changed many frontiers and increased the number of separate Customs units from 20 to 27, all of which strive for an independent national economy which they defend by means of tariff barriers." Cf. League of Nations, *The World Economic Conference, Final Report*, C.E.I.44(1), p. 27.

3. Cf. Wilhelm Grotkopp, *Breaking Down the Tariff Walls* (London, Ernest Benn, 1930), p. 16; O. Delle Donne, *European Tariff Policies since the World War* (New York, Adelphi, 1928), p. 90-120.

4. League of Nations, *Proceedings of the Preliminary Conference with a view to Concerted Economic Action*, C.222.M.109.-1930.II., p. 102. (Hereinafter cited as *Proceedings of the Preliminary Conference*.) Cf. also, *ibid.*, p. 89-90, where it was alleged by the German delegate that in the same period "only thirteen out of twenty-seven European countries have not raised their duties, while of these thirteen all except six are preparing to do so."

1. A consideration of these national practices of unfair competition is not within the scope of this report. They consist principally of the "dumping" of products upon foreign markets, at cheaper prices than prevail at home, to keep up domestic prices; anti-dumping legislation to compete with the dumping tactics of other countries; export and import taxes, imposed to extort large sums from foreign countries; embargoes; bounties; subsidies to domestic industries, etc. For a discussion of these discriminatory measures, cf. Henry Chalmers, "European Tariff Policies since the War" (Washington, Government

to a report recently published by the Carnegie Foundation, the past year has seen forty-five states all over the world establish or increase protective duties on important American exports, apparently partly in retaliation for the prohibitive rates imposed by the United States in the Smoot-Hawley Act.⁵

At present two different tariff systems are in existence, which complicates the question of tariff reduction by treaty. Nations impose tariffs either for the purpose of revenue (known as fiscal duties), or with a view to protecting domestic enterprises against lower-priced foreign competition (known as protective duties). The tariff-for-revenue régime has been generally followed by Great Britain, Belgium, Denmark, the Netherlands and, to a certain extent, Switzerland. As a rule, it involves the equal treatment of the trade of all nations. Rates are usually established by law, independent of treaty or convention. This tariff is called autonomous, indicating that the rates are not "bound" by treaty commitments.

The policy of tariff-for-protection has been pursued by many of the nations of Europe as well as by the United States. In Europe the policy has often been accompanied by bargaining tariffs, by which general rates are fixed at high levels and are used for the purpose of seeking concessions from other countries. If these concessions are obtained, they are embodied in conventions or treaties with the other party (called bilateral treaties) in which lower rates than those first established are fixed for the life of the treaty. For example, Germany in 1925 established a general tariff rate on raisins of 24 gold marks per 100 kilograms. Shortly thereafter it entered into treaties,

5. The Carnegie Foundation study declared that these increases had affected approximately 890 articles. (Cf. *Christian Science Monitor*, April 13, 1931.) American motor cars, trucks and parts have been largely excluded from the European market by prohibitive duties. France, for instance, has increased its rates on these products from 42 to 123 per cent. (Cf. *New York Times*, January 18, 1930.) In March 1931 Czechoslovakia raised its duties on motor cars to \$800 a ton. It was reported that this meant virtual exclusion of American automobiles from a rapidly expanding market. (*Ibid.*, March 10, 1931.) In October 1930 Mexico increased its rates on fresh and dried fruits, imported exclusively from the United States, by 200 per cent. (*Ibid.*, October 4, 1930.) In the following month Switzerland increased duties on typewriters and calculating machines from \$12 to \$50 per quintal (220 pounds). Nearly 80 per cent of these imports had been from the United States. (*Ibid.*, November 28, 1930.) In February 1931 Canada raised duties on American automobiles to a level that virtually excludes higher priced cars of American make. (*Ibid.*, February 23, 1931.) Canada also raised duties on carrots more than 8 cents a pound. (*Ibid.*, February 24, 1931.)

first with Spain and then with Turkey, which established a lower conventional rate of 8 marks.⁶ Duties thus fixed or "bound" by treaty or convention are known as conventional duties. The procedure of thus fixing duties is called consolidation, and duties which are consolidated for a definite period are said to have been stabilized.

Most bilateral commercial treaties contain a most-favored-nation clause of the unconditional type which provides that each party to the treaty must receive from the other whatever tariff concessions that party shall at any time make to a third nation.

TRADE PROHIBITIONS AND RESTRICTIONS

In addition to tariffs, many European nations have adopted the system of prohibiting or limiting the free import and export of commodities, primarily for the purpose of restricting foreign competition. Sometimes this has been done directly, through the use of a quota system for imports; perhaps more often, however, it is done under the guise of safeguarding public health, sanitation, domestic standards, morals or religion. Since these measures are usually imposed by executive regulation, they are known as measures of administrative protection.

Until fairly recent years, measures of this character had played a relatively unimportant rôle in the world's commerce. They were adopted during the World War, however, as a means of military control and have been carried over into the era of post-war readjustment. These practices have obstructed international trade, particularly because they have led to measures of reprisal. Thus, the Dyestuffs Act of Great Britain, which substantially prohibited the importation of dyes and their products, seriously injured the dyestuff industry of Germany. That nation, by way of reprisal, immediately placed a prohibition on coal, an important export product of England. This German measure also adversely affected France, which thereupon imposed prohibitory legislation against German scrap iron. France's action, in turn, induced similar measures in

6. W. T. Page, *Memorandum on European Bargaining Tariffs* (League of Nations, Economic and Financial Section, C.E.C.P.97., Geneva, 1927).

other countries.⁷ In like manner, a prohibition in Rumania against naphtha and crude oil was met by restrictive taxation in Poland on wines imported from Rumania, while the inauguration of restrictive veterinary measures by most of the Balkan states has led to vigorous reprisals by injured neighbors.⁸

In general, recent years have seen a widespread adoption in Europe of these hindrances to trade. During the ten months from March 1930 to January 1931, thirty-two countries gave notice of new administrative measures designed to render foreign competition more difficult by a free interpretation of veterinary regulations, by requiring marks of origin on foreign products, or by imposing other restrictions on imports. American exports, particularly, have been injured by the drastic restrictions imposed by a half dozen leading European states on the import of motion pictures. By means of quota allotments,⁹ the number of American pictures which may be licensed has been reduced to insignificant proportions—so severe, for instance, are the German rules, that it is now practically impossible for American interests to operate in Germany on a profitable basis.

EFFORTS TO ABOLISH PROHIBITIONS AND RESTRICTIONS

The system of import and export prohibitions and restrictions was attacked as early as 1920, by the Brussels Financial Conference and by subsequent international conferences at Cannes (1922), Geneva (International Conference on Customs Formalities, 1923), Stockholm (International Chamber of Commerce, 1927), and Paris (Interparliamentary Conference, 1927). Within the League of Nations, both the Assembly and the Council at various times condemned these practices and entrusted to the Economic Committee the task of preparing an international convention designed to remove

7. Cf. League of Nations, "International Conference for the Abolition of Import and Export Prohibitions and Restrictions," *Proceedings of the Conference*, C.21.M.12.1928.II., p. 91, 118, 207-12. (Hereinafter cited as *Proceedings of the International Conference*.) Cf. also Delle Donne, *European Tariff Policies*, cited.

8. For this type of restriction on the American continent, cf. "The Franco-American Tariff Dispute," F. P. A. *Information Service*, Vol. III, No. 17, October 26, 1927, p. 254.

9. *Proceedings of the Preliminary Conference*, cited, p. 102. Attempts have also been made to place the sale of American motor cars abroad on a quota basis.

EFFECTS OF TARIFFS AND ADMINISTRATIVE RESTRICTIONS

It is generally recognized that protectionism, whether by tariff or administrative restrictions, has seriously hampered the economic rehabilitation of Europe. Those states which have set up impassable tariff frontiers have found their export balances dwindling away.¹⁰ In many cases, excessive import duties, by permitting high profits to be realized at home, have given an uneconomic stimulus to the dumping of exports abroad, thus creating artificial competition on foreign markets and leading to disorganization, international economic conflicts¹¹ and artificially high prices to the domestic consumer.¹² It has been found that the import and export restrictions, and the arbitrary practices and disguised discriminations which have resulted

"... have had deplorable results by hampering the normal play of competition, by imperiling both the essential supplies of some nations and the not less indispensable markets of others, and by bringing about an artificial organization of production, distribution and consumption. Experience has shown, moreover, that the grave drawbacks of these measures have not been counterbalanced by the financial advantages or social benefits which were anticipated."¹³

all barriers.¹⁴ The World Economic Conference, which met under League auspices at Geneva in May 1927, crystallized the movement by calling upon the nations, by concerted action, to abandon the system with its abuses.¹⁵

10. Cf. Grotkopp, *Breaking Down the Tariff Walls*, cited, p. 31.

11. League of Nations, *Report and Proceedings of the World Economic Conference*, C.356.M.129.1927.II., Vol. I, p. 118.

12. Thus sugar, which brings \$4 per 100 kilograms in Java and Cuba, because of high duties costs \$37 in Brazil, \$12 in Spain, \$10 in Czechoslovakia and Turkey, \$6 to \$10 in Rumania, Greece, Portugal, Finland, Persia and Argentina, and over \$5 in France, the United States, Poland, Russia, Germany and Italy. (Cf. Grotkopp, *Breaking Down the Tariff Walls*, cited, p. 67.)

13. *Report and Proceedings of the World Economic Conference*, cited, Vol. I, p. 34. Cf. also the speech of Foreign Minister Stresemann of Germany in the Tenth Assembly of the League of Nations, where, in discussing the evils of the current protectionist tendency, he said: "Is it not absurd that modern invention should have reduced the journey from South Germany to Tokio by twenty days, while in Europe itself hours are wasted stopping at frontiers for Customs inspections as if Europe were a sort of little huckster's shop still open beside the big world emporium?" (League of Nations, *Official Journal*, Records of the Tenth Ordinary Session of the Assembly, Plenary Meetings, Text of the Debates, Geneva, 1929, p. 70.)

14. Cf. League of Nations, *Official Journal*, Minutes of the Thirtieth Session of the Council, p. 1352; *ibid.*, Minutes of the Thirty-fifth Session of the Council, Vol. II, p. 1503; *ibid.*, Special Supplement No. 33 (1925), p. 398 and Annex 12.

15. *Report and Proceedings of the World Economic Conference*, cited, Vol. I, p. 34-35.

THE INTERNATIONAL CONFERENCE OF OCTOBER-NOVEMBER 1927

In October and November of 1927 the League Council convened the International Conference for the Abolition of Import and Export Prohibitions and Restrictions. This was attended by representatives of thirty-five states, including the United States.¹⁶ The basis of discussion was an international convention, formulated by the Economic Committee, which provided for the abolition of all import and export prohibitions and restrictions subject to specified exceptions.

RESERVATIONS

The question of reservations to meet emergency situations became the principal issue at the Conference. The nationalistic interests of the various states were reflected in the amendments offered and in the tenor of the debates. For example, those states which prohibited or restricted foreign commerce in certain products vital to their national security¹⁷ favored a liberal interpretation of the clauses permitting exceptions for national defense or public security.¹⁸ In opposition¹⁹ was the group of states which suffered from the effects of this legislation, and would therefore limit the application of these two exceptions to cover only those measures absolutely necessary to insure military safety and economic survival. In addition, the agricultural states favored a rigid limitation on the scope of the exceptions dealing with veterinary measures because they felt that these were too often imposed for the sole purpose of excluding the agricultural products of others. A contrary view was advanced by a group which

16. The thirty-five states which attended this Conference were: France, Germany, Austria, Hungary, Poland, Italy, Belgium, Luxembourg, Switzerland, Great Britain and North Ireland, Canada, Australia, India, the Irish Free State, the Netherlands, Denmark, Finland, Latvia, Sweden, Portugal, Bulgaria, Greece, Rumania, Jugoslavia, Czechoslovakia, Turkey, Egypt, Abyssinia, Japan, China, Siam, the United States, Chile, Colombia and Cuba. Delegates also were present representing the International Chamber of Commerce.

The U.S.S.R., in refusing the invitation to participate, stated that its foreign trade policy obliged it to maintain import and export prohibition restrictions. Cf. Elemér Hantos, *L'Economie Mondiale et la Société des Nations* (Paris, M. Girard, 1930), p. 199-200.

18. Such as dyestuffs in Great Britain and Japan, leather and extracts of coffee in England, rice and cereals in China, and crude oil in Rumania.

19. *Proceedings of the International Conference*, cited; England, p. 83; Australia, p. 92; China, p. 95; Rumania, p. 119-120, 210-211.

20. *Ibid.*; Switzerland, p. 96-99; Germany, p. 81; Italy, p. 80-81; Austria, p. 87; France, p. 89-90.

considered that the liberty of countries to protect themselves against the diseases of animals and plants should not be restricted.²⁰ Moreover, the United States,²¹ in order to safeguard its impending high tariff, fought—although unsuccessfully—to suppress the paragraph which appears in the Final Act of the Conference,²² declaring that the abolition of prohibitions or restrictions in the case of a particular product entailed, in the country benefiting thereby, "correlative obligations, which would take the form of an equitable régime in regard both to export and import duties."²³

Consideration by the Conference of the lists of requested reservations for specified commodities to cover special or temporary circumstances developed that many exceptions were being submitted solely in retaliation for restrictive legislation by other countries. The British Dyestuffs Act, in particular, aroused much feeling, which remained even after it was explained that it could not be altered for some time because of the mandatory character of the legislation which imposed it. With regard to the reservations desired by other countries, however, powerful pressure was exerted, resulting in many instances in the abandonment of requests, which if insisted upon, might have seriously hampered the results of the Conference.²⁴

TERMS OF THE CONVENTION

The terms of the convention as adopted by the Conference were substantially in the form submitted by the Economic Committee,²⁵ with the exception that states were allowed to make reservations any time before June 1928. The Secretary-General of the League at that time was to call a conference of the signatory states to determine the last

21. *Ibid.*; Sweden, p. 97; Cuba, p. 98; report of sub-committee and proposal of the French delegation, p. 172, 173-175.

22. *Ibid.*, p. 140-141, 144-147.

23. *Ibid.*, p. 45, paragraph 5 of conference declarations.

24. Cf. also the discussions on proposals to except prohibitions and restrictions on prison-made goods (*ibid.*, p. 92, 95), luxuries (*ibid.*, p. 105-106), wine—aimed at the Prohibition Act of the United States (*ibid.*, p. 150, 175, 213), goods subject to license requirements (*ibid.*, p. 77-79), goods below a minimum standard of quality (*ibid.*, p. 81-83, 92, 95 *et seq.*, 172), and proposals regarding the scope of the clauses dealing with arbitration and conciliation (*ibid.*, p. 97-99-106, 131-134, 185-190).

25. France's announcement at the close of the session that it intended to remove its prohibition on coal was hailed as a forward step. (*ibid.*, p. 138.)

26. For full text of the convention, cf. *ibid.*, p. 7-17. For full text of the Preliminary Draft Agreement submitted by the Economic Committee, cf. *ibid.*, p. 224-226.

date on which ratifications might be deposited and the conditions under which the convention would come into force.²⁷ The convention was signed on November 8, 1927 by nineteen states.²⁸ The parties agreed to abolish within six months from the date of the coming into force of the convention "all import and export prohibitions or restrictions, and not thereafter to impose any such prohibitions or restrictions." The following classes of prohibitions and restrictions are excepted from the convention, on condition that they are not applied in such a manner as to constitute a means of arbitrary discrimination between foreign countries where the same conditions prevail, or a disguised restriction on international trade:

1. Prohibitions or restrictions relating to public security.
2. Prohibitions or restrictions imposed on moral or humanitarian grounds.
3. Prohibitions or restrictions regarding traffic in arms, ammunition and implements of war, or, in exceptional circumstances, all other military supplies.
4. Prohibitions or restrictions imposed for the protection of public health or for the protection of animals or plants against disease, insects and harmful parasites.
5. Export prohibitions or restrictions issued for the protection of national treasures of artistic, historic, or archaeological value.
6. Prohibitions or restrictions applicable to gold, silver, coins, currency notes, banknotes or securities.
7. Prohibitions or restrictions designed to extend to foreign products the régime established within the country in respect of the production of, trade in, and transport and consumption of native products of the same kind.
8. Prohibitions or restrictions applied to products which, as regards production or trade, are or may in future be subject within the country to State monopoly or to monopolies exercised under State control.

Apparently the principal type of prohibition and restriction outlawed by this convention is that imposed openly for the pur-

27. "If, on the expiration of this period, the ratifications upon which the coming into force of the Convention will be conditional have not been secured, the Secretary-General of the League of Nations shall consult the members of the League of Nations and non-Member States on whose behalf the Convention has been ratified and ascertain whether they desire nevertheless to bring it into force." International Convention for the Abolition of Import and Export Prohibitions and Restrictions, Article 17, *ibid.*, p. 13.

28. These were: Germany, Austria, Belgium, Great Britain, Bulgaria, Denmark, Egypt, Finland, France, Hungary, Italy, Japan, Luxembourg, Jugoslavia, the Netherlands, Rumania, Siam, Switzerland and Czechoslovakia.

pose of protecting domestic industry against foreign competition. Nevertheless, in view of the large number of prohibitions still allowed, governments may indirectly accomplish their protective ends by imposing prohibitions under the guise of public health, or the other grounds permitted by the convention. If differences between states over whether such a prohibition is a "disguised restriction on international trade" could be decided by adjudication, it would not be possible for governments to abuse the permitted exceptions; but, although the convention provides for a technical advisory opinion or for arbitration in the case of disputes, it expressly exempts from such procedure dispute over whether a given prohibition violates the convention. Each government retains complete freedom in interpreting this vital question for itself.²⁹

LATER CONFERENCES AND STATUS OF CONVENTION

The second international conference on import and export prohibitions and restrictions, which was held at Geneva in July 1928

29. Article VIII is as follows: "If a dispute arises between two or more High Contracting Parties as to the interpretation or application of the provisions of the present Convention—with the exception of Articles 4, 5 and 6 [the heart of the convention], and of the provisions of the Protocol relating to these articles—and if such dispute cannot be settled either directly between the parties or by the employment of any other means of reaching agreement, the parties to the dispute may, provided they all so agree, before resorting to any arbitral or judicial procedure, submit the dispute with a view to an amicable settlement to such technical body as the Council of the League of Nations or the parties concerned may appoint. This body will give an advisory opinion after hearing the parties, and, if necessary, effecting a meeting between them.

"The advisory opinion given by the said body will not be binding upon the parties to the dispute unless it is accepted by all of them, and the parties, if they all so agree, may, either after resort to such procedure or in lieu thereof, have recourse to any arbitral or judicial procedure which they may select, including reference to the Permanent Court of International Justice as regards any matters which are within the competence of that Court under its Statute.

"If a dispute of a legal nature arises as to the interpretation or application of the provisions of the present Convention—with the exception of Articles 4, 5 and 6, and of the provisions of the Protocol relating to these articles—the parties shall, at the request of any of them, refer the matter to the decision of the Permanent Court of International Justice or of an arbitral tribunal selected by them, whether or not there has previously been recourse to the procedure laid down in the first paragraph.

"In the event of any difference of opinion as to whether a dispute is of a legal nature or not, the question shall be referred for decision to the Permanent Court of International Justice or to the arbitral tribunal selected by the parties.

"The procedure before the body referred to in the first paragraph above or the opinion given by it will in no case involve the suspension of the measures to which the dispute refers; the same will apply in the event of proceedings being taken before the Permanent Court of International Justice—unless the Court decides otherwise under Article 41 of its Statute—or before the arbitral tribunal selected by the parties.

"Nothing in the present Convention shall be construed as prejudicing the rights and obligations derived by the High Contracting Parties from the engagements into which they have entered with reference to the jurisdiction of the Permanent Court of International Justice, or from any bilateral conciliation or arbitration conventions between them." (*Ibid.*, p. 10-11.)

30. League of Nations, Second International Conference for the Abolition of Import and Export Prohibitions and Restrictions, *Proceedings of the Conference*, C.611.M.187.1928.II.

and attended by all the states but one which had signed the Convention of November 1927, considered first the additional reservations submitted by the various states, as contemplated in the November convention. These were considerable in number,³¹ but, after the determined efforts of a majority of the delegates, most of these were withdrawn and the Conference consented to a small number of reservations which, in view of their local effect, may be regarded as negligible.³² The Conference agreed that if eighteen states ratified before September 30, 1929, the convention would come into force.³³

The requisite number of ratifications were deposited on time, but, since several of them were conditional upon the ratification of either Poland or Czechoslovakia, the effective total was left below eighteen. An emergency conference, which met at Paris in December 1929 to consider this situation,³⁴

extended to June 1930 the time limit for ratification by Czechoslovakia and Poland. Czechoslovakia ratified in time, but conditional upon similar action by Poland. The latter announced that it felt

"bound to postpone its accession to the Convention until either Polish foreign trade regains its freedom of movement guaranteed by international means in every respect, or until it can guarantee adequately, by bilateral agreements, the export of its produce to areas that are its natural markets, but that up to the present have been closed by an artificial regulation of imports."³⁵

The failure to secure the necessary ratifications by June automatically released the signatory countries and the convention lapsed. Seven of the states—Great Britain, Denmark, Japan, the Netherlands, Norway, Portugal and the United States—agreed, however, to abide by the convention until its expiration.³⁶

ATTEMPTS AT TARIFF REDUCTION

WORLD ECONOMIC CONFERENCE OF 1927

During the first years after the war, the League of Nations likewise could do nothing to stem the rising tide of high tariffs which dominated the European scene. By 1925 this trend had lost much of its momentum, financial and political conditions had been reasonably stabilized and it was generally felt that the time was ripe for an ambitious policy of remedial action. The movement for tariff reduction also found expression in the World Economic Conference which met at Geneva in May 1927, after two years of careful preparation, under the auspices of the League of Nations. The conference declared, in no uncertain language, "that the time has come to put an end to the increase in tariffs and to move in the opposite direction."^{36a} It suggested three lines of action toward this objective: first, unilateral action by the various nations; second, bilateral action through commercial treaties; and third,

multilateral action by means of international conferences under League auspices. These recommendations, however, had little influence upon the subsequent actions of the nations of Europe. For a time there was an almost complete cessation of tariff increases, but the impulse soon spent itself and during 1928 a tendency toward increasing tariff rates was again manifested. By the end of 1929 the European economic situation, as a whole, was characterized by slightly higher tariffs than were in force when the World Economic Conference met in 1927.

DEVELOPMENT OF THE "TARIFF TRUCE" MOVEMENT

This condition provoked discussion at the Tenth Assembly of the League in the autumn of 1929, when leading statesmen gave fresh impetus to the efforts toward a general moderation of tariffs.

Foreign Minister Hymans of Belgium

31. The American delegate pointed out that "when the convention was signed in November of last year, there were twelve commodities under reservation. At present there is a total of 52 commodities under reservation that have been either accepted or agreed upon." (*Ibid.*, p. 47.)

32. *Ibid.*, p. 10-11.

33. *Ibid.*, p. 11.

34. League of Nations, Third International Conference for the Abolition of Import and Export Prohibitions and Restrictions, *Proceedings of the Conference*, C.176.M.81.1930.II.

35. This was contained in a letter to the League dated June 19, 1930. Cf. *The Monthly Summary of the League of Nations*, Vol. X, No. 6, June 1930, p. 119.

36. So far as these powers were concerned, this convention was to remain in force until June 30, 1931 and was to be continued in force for successive periods of one year thereafter unless denounced. (League of Nations, Third International Conference for the Abolition of Import and Export Prohibitions and Restrictions, *Proceedings*, cited, Protocol, clause 6, p. 9.) No denunciations appear to have been made on June 30, 1931.

36a. *Report and Proceedings of the World Economic Conference*, cited, Vol. I, p. 41.

sounded the first call for "economic disarmament"³⁷ when he suggested a contractual agreement for tariff reduction between those states which had reached approximately similar stages of economic development. M. Briand of France, whose speech followed,³⁸ gave his approval to this formula and at a subsequent meeting the German Foreign Minister, Herr Stresemann, in what was to be his last speech before the Assembly, promised the collaboration of his government whenever "fresh negotiations are started for the conclusion of agreements for the simplification of the exchange of commodities and for checking the insensate raising and counter-raising of customs barriers."³⁹ The British delegate, Sir William Graham, endorsed the project of a tariff truce and proposed a general agreement not to increase tariffs above existing levels for two years, during which period an attempt should be made to secure permanent and equitable reductions.⁴⁰

After much discussion, in which those countries engaging in protectionist policies expressed caution, if not pessimism, with regard to the success of any movement for tariff reduction which at the same time would adequately safeguard their own national interests,⁴¹ resolutions were passed by the Assembly⁴² recommending that the nations should, by concerted action,

"... agree not to increase their protective tariffs above the present level for a period of from two to three years, or to impose new protective duties or create new impediments to trade."

It also asked that an international conference be called to conclude the Customs Truce and to draw up a program of future negotiations.

37. League of Nations, *Records of the Tenth Assembly*, cited, p. 47.

38. *Ibid.*, p. 49.

39. *Ibid.*, p. 71.

40. The germ of the British proposal is contained in two semi-official memoirs tendered to the Economic Organization of the League, entitled respectively, "The United States of Europe" Idea," by Sir Arthur Salter, until recently Director of the Economic Section of the League, and "Memorandum Relating to the Idea of a Collective Agreement to Improve the Organization of International Economic Relations in Europe," by M. Stoppani, a member of the Economic Section. Cf. *ibid.*, Minutes of the Second Committee, p. 86 *et seq.*

41. *Ibid.*: Australia, p. 20; the Irish Free State, p. 27; Poland, p. 30; Canada, p. 32.

42. *Ibid.*, *Texts of the Debates*, p. 147-148.

FIRST CONFERENCE FOR ECONOMIC ACTION

The outgrowth of these eloquent demands was the convening at Geneva on February 17, 1930 of the Preliminary Conference with a view to Concerted Economic Action, popularly called the "First Tariff Truce Conference." Thirty nations sent official delegations—most of them headed by Ministers of Commerce—and several states sent observers.⁴³ The conference was largely European in character and was frankly so regarded.⁴⁴

As the basis for discussion the conference had before it a Preliminary Draft Convention prepared by the Economic Committee at the request of the Council. This provided in substance for a multilateral convention, the duration of which was to be agreed upon, declaring that, subject to specified exemptions, to exceptional internal circumstances and to the right of the parties to levy fiscal duties, the contracting states would refrain from raising tariff levels, from imposing new tariffs or creating fresh hindrances to trade.⁴⁵

THE PRELIMINARY CONVENTION

Criticisms of the Preliminary Draft Convention manifested themselves from the outset. The agricultural countries argued that the industrial nations, in order to stimulate their own agricultural production, were raising tariff barriers to keep out foreign agricultural products; that the proposed convention permitted these countries, by means of broad and unusual exceptions, to exclude from the sphere of customs reduction the products of agriculture and that this left but one course open to the agricultural nations—a forced industrialization which could be achieved only by a policy of tariff increases.⁴⁶ Furthermore, the newly created under-industrialized states espoused

43. Among these were: the United States, Mexico, Cuba, Brazil, the Dominican Republic and China.

44. Every European nation except Russia and Albania was represented, while the only non-European nations which sent official delegates were Japan, Peru and Colombia. It is interesting to note that whereas Great Britain was a leader in sponsoring the conference, the Irish Free State was the only one of its Dominions represented. Australia, a few weeks after the conference closed, passed a tariff law which ranks among the world's highest. For an editorial deplored the protectionist tendency of Australia, cf. *The Economist* (London), January 18, 1930, p. 112.

45. For full text, cf. *Proceedings of the Preliminary Conference*, cited, p. 37.

46. *Ibid.*: Hungary, p. 110; Lithuania, p. 114; and Yugoslavia, p. 115.

the doctrine of high tariffs as an essential ingredient in their economic and financial programs.⁴⁷ Austria similarly contended that "the staggering deficit of its trade balance, the impossibility of balancing excess imports, even partially, by increased exports—with the resulting high figures of unemployment—were causes which made vital a protectionist policy."⁴⁸ It was argued by the Polish delegate that many nations had in recent months considerably increased their tariffs, whereas others had been more moderate in their policies, so that any "stabilization" of tariffs at existing levels would be unequal and unjust.⁴⁹ The Italians urged most strenuously,⁵⁰ and were supported by the Germans,⁵¹ that in the existing situation collective tariff agreements for a customs truce were "premature in character and not applicable in practice." They argued that bilateral negotiations looking to consolidation of duties had always proven the most effective method of tariff reduction, whereas multilateral efforts had invariably failed. Finally, Italy maintained that the absence from the conference of most of the overseas nations meant that the tariff truce would lack the necessary element of universality.

Dissatisfaction with the preliminary plan, which was evident in the plenary session of the conference, became even more pronounced in committee, but the dominating influence in the conference was the uncompromising opposition of France—and to a lesser extent of Italy, Spain, Portugal and Poland. The French attitude was frankly protectionist.⁵² Its first delegate quoted at length from a pronouncement of Necker, written more than 150 years ago, to the effect that all attempts toward general free trade in Europe are "chimerical." France implied that its tariffs were, if anything, insufficient to satisfy its economic needs and

47. Cf. the candid statement of Portugal (*Ibid.*, p. 104) that after experimentation and study of the problem for forty years, it was satisfied that a régime of high tariffs was best suited to its needs.

48. *Ibid.*, p. 82.

49. *Proceedings of the Preliminary Conference*, cited, p. 102. The British delegate clearly answered this by pointing out that the real object of the principle of stabilization was not to fix or consolidate tariffs at their existing levels for a fairly substantial period, but rather "to secure an appropriate environment . . . for the kind of downward revision that we seek to recommend." (*Ibid.*, p. 86.)

50. *Ibid.*, p. 95-97.

51. *Ibid.*, p. 90.

52. *Ibid.*, p. 118-121.

that a tariff truce as envisaged in the preliminary draft would hamper its economic growth. It expressed skepticism as to the efficacy of collective tariff action, and in general showed an inclination toward anything but the proposed truce.⁵³

THE FRENCH PLAN

France finally offered a compromise plan⁵⁴ which provided for a one-year multilateral convention. During this time the signatory parties engaged not to denounce existing bilateral treaties which consolidated duties on enumerated commodities, subject to the reservation that no contracting state had the right, during the life of the convention, to increase any of its duties whether or not consolidated in treaties without first giving an opportunity to the state which would be injured thereby to demand negotiations with the object of discovering, if necessary, adequate compensation for those increases.⁵⁵ If these negotiations failed, the state aggrieved by the increases might then, after formal notification to the League, denounce the Tariff Truce Convention. The plan further provided for lists of commodities to be submitted by the various states, which would be excepted from the provisions of the convention relating to negotiation and notification. Finally, the plan constrained those countries which do not employ bilateral commercial treaties from imposing any protective duties. If they wished to increase their existing fiscal (or revenue) duties, they would be obliged to notify other states in accordance with the above procedure.

While the French plan was accepted in principle by the delegates, several nations expressed keen disappointment that the conference had so completely veered from its original conception of a tariff truce. It was pointed out that whereas the original plan committed all parties definitely against increase in tariffs for a substantial period, the new proposal imposed no such direct obligation. In fact, it permitted increases sub-

53. Dr. Grotkopp says that the French stand was probably the result of pressure by certain groups of financiers, manufacturers and leaders of agriculture. Grotkopp, *Breaking Down the Tariff Walls*, cited, p. 105.

54. For several weeks the French delegation was absent from Geneva, due to internal political changes. In the interim the Conference was virtually at a standstill.

55. For full text, cf. *Proceedings of the Preliminary Conference*, cited, p. 393-394.

ject merely to negotiation and notification, while the "exceptions" clause gave even greater elasticity to its commitments. The obligation, if anything, was only moral, it being contended that nations would hesitate to inaugurate increases since such action would lead to a denunciation, and consequently to a possible breakdown, of the entire convention.⁵⁸ Criticisms were expressed particularly by those countries which had not consolidated their tariffs—the so-called free-trade nations. Some governments were considering the advisability of making radical changes in economic policy which would tend towards the adoption of protective tariffs. The new French plan would limit not inconsiderably their freedom of action in this respect. These nations argued that whereas the other group would in most cases be permitted to retain their consolidated duties at existing levels⁵⁹ and would not be bound in respect of their non-consolidated duties (except by what may be termed a procedure of good will), the autonomous, free-trade countries, having no existing commercial treaties consolidating duties, would gain nothing by the continuation (or stabilization) of these treaties. Since, in addition, they were constrained from raising protective duties or initiating new ones, they would find themselves completely bound and unable to move freely in their future commercial policies. Thus, in effect, those countries which had followed an autonomous low tariff policy were asked to make a total sacrifice. As the delegate of Norway expressed it: "Mr. Chairman, there is no free-trade country in Europe which is willing to stick to free-trade, if the other countries are going to stick to tariffs."⁶⁰

COMMERCIAL CONVENTION AND PROTOCOL

The Commercial Convention and Protocol as finally adopted by the conference em-

56. *Ibid.*: England, p. 125, 126; the Netherlands, p. 171; Portugal, p. 181; and Luxemburg, p. 184.

57. Rumania's duties are consolidated to the extent of 70 per cent, Jugoslavia over 60 per cent, Belgium 24 per cent, Luxemburg 24 per cent, Italy 40 per cent, Switzerland 50 per cent, Germany 54 per cent, Czechoslovakia 51.5 per cent, and France 72 per cent. (The figures for Hungary and Jugoslavia omit raw materials and foodstuffs which are exempt or play no part in imports.)

58. *Proceedings of the Preliminary Conference*, cited, p. 179; the Netherlands, p. 171; Great Britain, p. 166; and Portugal, p. 181. Since Norway has a few duties consolidated, it came technically within the large group, but nevertheless voiced its appreciation of the lack of balance in the new plan. Portugal, although a protectionist country, argued the viewpoint of the free-trade group because it had never consolidated its duties.

bodied the French plan with only two changes of substance: (1) the deletion of the "exceptions" clause in favor of a more restrictive "catastrophe" clause, and (2) the addition of a "good-faith" clause.

Both the French proposal and the Preliminary Plan provided that certain commodities submitted by the various states should be excepted from the application of the convention, and might be the subject of tariff increases without control or limitation.

Many delegates looked with disfavor upon the "exceptions" clause. England and the Netherlands were unqualifiedly opposed to it because it involved a further emasculation of the customs truce which they desired so strongly. The agricultural countries expressed fears that the lists of exceptions submitted would exclude virtually all their export products. Others were less outspoken and qualified their support with the reservation that the exceptions be limited in scope and number.

An examination of the lists submitted by the various members⁶¹ confirmed the worst fears. The lists were large and in many instances all-inclusive. Each addition on the part of one nation led to similar additions by several others. France made a blanket exception for all commodities embraced in her *lois de Cadenas*.^{62a} Subsequently, several states invoked the *lois de Cadenas* to authorize disproportionate increases in their own lists.⁶²

It soon became obvious that the "exceptions" clause was nullifying every aim of the convention and that the lists offered indicated not so much the submission of legitimate reservations by the states, as the invoking of apprehensive measures based on mutual mistrust. The consensus of the conference was against the clause and the vote for its deletion was overwhelming. By way of compensation, a "catastrophe" clause was added⁶³ which permitted alterations in cus-

59. They had been submitted in pursuance of the analogous clause in the original Draft Convention.

59a. This is an organic law which permits the French government at any time to raise (or lower) the customs duties on certain articles, principally food supplies. Its object is to safeguard public security in the event of a grave crisis. This statute figures in most of France's bilateral treaties but has been so restricted in scope that for practical purposes it has little effect on the exports of foreign countries.

60. Switzerland, for instance, deleted the words "pigs and potatoes" and replaced them by "goods covered by the *lois de Cadenas*." *Proceedings of the Preliminary Conference*, cited, p. 226.

61. Article II of the Convention, *ibid.*, p. 19.

toms duties due to circumstances of urgency (or the passage of legislation making alterations mandatory). In like manner, the protocol to the convention gave special exemptions to certain enumerated countries which required them because of existing treaty commitments.⁶²

The "Good-Faith" Clause⁶³

The convention provided that "the High Contracting Parties, being determined to apply the present Convention in a spirit of loyal cooperation, undertake to refrain from any measure of any kind calculated to evade the obligations resulting from the said Convention." According to some interpretations this clause was intended to restrain the parties from exercising their legal right under the convention to increase their duties. Inasmuch as the convention has not yet gone into effect, the importance of this type of "moral" restriction has not been determined.

SUMMARY OF CONVENTION

The convention as adopted⁶⁴ divides the contracting parties into two groups: first, those states which habitually consolidate their tariffs by treaties; and second, the so-called free-trade states (Great Britain, Denmark, Holland, Norway and Portugal) which normally have no consolidated duties. The parties of the first group undertake not to denounce for one year their existing bilateral treaties containing consolidated duties. If, notwithstanding this engagement, any of these signatory states is obliged to impose higher duties or to levy fresh duties before the convention expires, any other party to the convention which considers itself injured may demand negotiations with the object of re-establishing an equitable régime. If these fail, the aggrieved state may denounce the convention either *in toto* or as regards the offending party only. The second group, having no commercial treaties which consolidate duties, are exempt from the above provision. These states, however, definitely undertake not to increase existing protective duties nor to impose new ones. In regard to their fiscal duties, any increase of rates gives the party aggrieved the right to denounce the convention upon one month's

notice. The commercial convention, in short, established a system whereby the rates of countries consolidating their duties by treaty could be increased only after compliance with elaborate and rigid machinery,⁶⁵ while countries not employing tariff consolidation could not increase their protective duties nor impose new tariffs.

Originally it was provided that the obligations under this convention were to end on April 1, 1931, subject to extension for successive six months' periods if the convention were not denounced by any signatory; denunciations might not be made, however, before February 1, 1931.⁶⁶ Meanwhile, another article⁶⁷ provided that ratifications could be deposited until November 1, 1930. Furthermore, it was provided that between November 1 and November 15 the Secretary-General of the League was to call a conference of those states ratifying the convention or indicating an intention to adhere to it, to determine when the convention was to come into force.⁶⁸ It was thus possible that the effective life of the convention might be less than five months.⁶⁹

Eighteen nations signed the commercial convention, seven were non-committal, and Hungary and Portugal announced that they were unable to sign. The President of the conference in his closing address admitted that the convention, as signed, was "very different in form, duration and extent, from the first conception," which had as its object the conclusion of a tariff truce for a period of from two to three years.⁷⁰

THE PROGRAM OF FUTURE NEGOTIATIONS

In addition to the commercial convention, the conference considered and prepared, in compliance with the resolutions of the Tenth Assembly, a Program of Future Negotiations, designed to be the basis of international negotiations which would attempt to remedy Europe's multifarious economic ills. It provided for concerted study of various

65. An additional clause provided for denunciation by any party which considered itself prejudiced by other denunciations. (Article VII, *ibid.*, p. 21.)

66. Article IX, *ibid.*, p. 21.

67. Article XII, *ibid.*, p. 22.

68. Article XIII, *ibid.*, p. 22.

69. For the results of the November 1930 conference and later efforts to determine a date for the putting into force of this convention, cf. p. 215, 217.

70. *Ibid.*, p. 142.

62. Austria, Czechoslovakia, Hungary, Greece, clauses "C & D" of Protocol, *ibid.*, p. 29.

63. Article XI of the convention, *ibid.*, p. 21.

64. For full text, cf. *ibid.*, p. 19-23.

non-tariff problems such as the unification of customs nomenclature, the removal of customs prohibitions and restrictions, the application of the most-favored-nation clause to multilateral treaties,⁷¹ customs relations between agricultural and industrial states, and indirect protection.

The Program of Future Negotiations also contained a questionnaire⁷² to be submitted to the various governments, whose replies would determine the course to be pursued by the conference to be convened in November. This questionnaire called for proposals suggesting "practical means" calculated to insure more efficient and more equitable customs relationships.

Discussion of the Program of Future Negotiations again revealed clashing interests with regard to the question of customs. The agricultural states, in the throes of an unprecedented depression, sought tariff concessions from the industrial nations which the latter were not prepared to grant. The question of the most-favored-nation clause developed a sharp divergence of viewpoint and general dissatisfaction with the existing manner of its application.

Under the leadership of France⁷³ there was finally sufficient unanimity to permit the adoption of the program by twenty-three states. Nevertheless, it was evident that there could be no concerted reduction of tariffs until the atmosphere of mutual distrust and antipathetic interests could be cleared.

ANALYSIS OF CONVENTION BY THE LEAGUE ASSEMBLY

At the Eleventh Assembly of the League in September 1930, the question of tariff reduction by concerted action was considerably overshadowed by the more timely problems engendered by the world-wide economic depression. Yet many delegates expressed keen disappointment at what they regarded as the complete failure of the Tariff Truce

71. This problem involved the question of whether states which had not signed the convention might avail themselves of its benefits by virtue of the most-favored-nation clause in bilateral treaties which they had with states signatory to the convention.

72. For full text, cf. *Proceedings of the Preliminary Conference*, cited, p. 35.

73. France was motivated largely by contriteness for having virtually "killed" the tariff truce and also by a desire, for obvious reasons, to relegate to the background the subject of tariff by emphasizing the importance of the non-tariff questions embraced in the Program of Future Negotiations.

Conference. The so-called free-trade nations were most pointed in their criticisms.⁷⁴ They asserted that notwithstanding the spirit of the "Truce Conference," there had been in recent months a wave of protectionist tariffs which threatened to submerge even the few European countries which had hitherto pursued relatively liberal economic policies. Furthermore, these states threatened that if existing tendencies toward tariff increases and customs barriers continued, they would be obliged to adopt protectionist policies as a set-off against the tariffs and trade restrictions imposed by other countries.

Most of the nations took the attitude—and here again France was the leader—that the tariff truce had failed because the question of tariffs had become secondary to the more immediate problem of economic depression, and that the energies of Europe should be devoted exclusively to that subject.⁷⁵ This position was vigorously assailed by Great Britain which insisted that a general reduction of tariffs was of paramount importance and that concerted action to that end should not be suspended but rather prosecuted more vigorously. Appreciating that "any request for general tariff reduction might have very little chance of success under existing conditions," Great Britain suggested negotiations with any interested nations, looking to a progressive reduction of tariffs in certain groups of commodities—for example, textiles and machinery. The British delegate closed with a declaration that unless the commercial convention were ratified by a sufficient number of states by February 1, 1931, Great Britain would exercise its right to withdraw from the convention.⁷⁶

SECOND CONFERENCE FOR ECONOMIC ACTION (FIRST SESSION)

The Second International Conference with a view to Concerted Economic Action met at Geneva in November 1930. The conference considered, first, when and in what conditions the commercial convention of March should be put in force. It appeared that

74. League of Nations, *Official Journal*, Records of the Eleventh Ordinary Session of the Assembly, Plenary Meetings, Texts of the Debates (Geneva, 1930); Netherlands, p. 49; Denmark, p. 51-52; Sweden, p. 62-63; England, p. 69-70.

75. France, in fact, asserted that even as a matter of principle the question of tariff revision should not be scrutinized until the non-tariff problems of commerce were solved.

76. League of Nations, Records of the Eleventh Assembly, Plenary Meetings, cited, p. 69, 70.

the countries which had ratified the convention (Belgium, Great Britain, Denmark, Finland, Latvia, Norway, Sweden, Switzerland, Italy and Luxemburg) were not inclined to put it in force between themselves.⁷⁷ The conference expressed a desire to save the convention by extending the time for ratification beyond November 1, 1930.⁷⁸ Austria alone expressed some measure of disapproval.⁷⁹ As a result, the conference agreed to extend the ratification period until January 25, 1931, and to meet at a later time to examine the existing situation.^{79a}

The primary concern of the conference from the point of view of tariff reduction, however, was a study of the proposals embodied in the replies by the various nations⁸⁰ to the questionnaire submitted to them in pursuance of the Program of Future Negotiations. These replies deplored the raising of tariff levels and discussed the contributing causes but were vague in their suggestions of remedies.⁸¹

GREAT BRITAIN PROPOSES COMMODITY NEGOTIATIONS

The Economic Committee, in submitting these replies to the consideration of the conference, recommended the proposals put forward by the British and Dutch governments as providing a satisfactory basis for immediate negotiations looking to a revision of tariffs.⁸²

The British proposal aimed at an all-round reduction of rates by way of multilateral agreements, proceeding by groups and stages and beginning with the most important group of British export commodities, such as textile fabrics and machinery, but not excluding negotiations in regard to other groups.⁸³ The Dutch proposal⁸⁴ suggested bilateral agreements between states with autonomous tariff policies—the free trade countries—and those with a protectionist

77. League of Nations, *Proceedings of the Second International Conference with a View to Concerted Economic Action* (First Session), C.149.M.48.1931.II.B., p. 36. (Hereinafter cited as *Proceedings of the Second Conference*.)

78. Cf. p. 214.

79. Austria's argument was on the ground that it was "a mistake to talk of a truce without having first contemplated collective negotiations with a view to treaties of commerce designed to stabilize conditions." (*Proceedings of the Second Conference*, cited, p. 43.)

79a. *Ibid.*, Resolution A, p. 23.

80. For complete text of these replies, cf. *ibid.*, p. 119-241.

81. *Ibid.*: reply of Germany, p. 119; France, p. 156; Switzerland, p. 226.

82. The French reply, containing proposals concerned principally with non-tariff questions, had arrived too late for consideration by the Economic Committee. Cf. *ibid.*, p. 156-162.

83. *Ibid.*, p. 48. For full text, cf. *ibid.*, p. 131-133.

84. For full text, cf. *ibid.*, p. 189-193.

régime, whereby the first states would undertake to maintain their liberal policy in return for the unconditional reduction to them by the other states of the import duties on certain commodities. The proposal was predicated on the premise that a continuation of the liberal policies of the Netherlands and Great Britain was essential to the economic well-being of Europe.

Most of the delegates criticized the British proposal as premature, unscientific and impracticable.⁸⁵ Furthermore, it was charged that Great Britain was less concerned with Europe's economic salvation than with a desire to alleviate its own unemployment by stimulating home industry through a lowering of the existing customs walls.⁸⁶ Finally, Rumania and Italy criticized both proposals as asking for concessions from other states while offering nothing in return.⁸⁷ On the other hand, certain nations—notably Switzerland, Germany and Belgium—apprehensive of an increase of tariffs by Great Britain, their principal market, were prepared to make concessions in return for a continuation of the present régime.⁸⁸

As in the previous conference, the principal opposition to any agreement for tariff reduction came from France.⁸⁹ Although France had been immune longer than most of Europe from the existing economic crisis, it was at last beginning to feel its effects severely, and frankly turned its thoughts to the possibility of higher tariffs rather than downward revision.⁹⁰ Finally, France insisted on a discussion of non-tariff questions such as dumping, bounties, the most-favored-nation clause, trade restrictions and arbitration⁹¹ as a prerequisite to customs reduction.

The fear of many states that Great Britain would initiate a protectionist policy was not enough to overcome the opposition,

85. *Ibid.*: France, p. 50-53; Switzerland, p. 57, 95-97; Poland, p. 58-60; Italy, p. 61-68; Czechoslovakia, p. 54-55.

86. *Ibid.*: Switzerland, p. 57.

87. *Ibid.*: Rumania, p. 56; Italy, p. 61.

88. Switzerland was particularly anxious to negotiate with Great Britain, to secure concessions for its clocks, watches and silk fabrics which were being subjected to a duty of 33 1/3 per cent in Great Britain. *Ibid.*, p. 57.

89. *Ibid.*, p. 50-53.

90. France preferred in any event the bilateral to the multilateral method. *Ibid.*, p. 51-52.

91. In its reply to the questionnaire, France enumerated thirteen non-tariff subjects. (Cf. *ibid.*, p. 160.) These subjects were: the most-favored-nation clause; the application of specific tariffs; the calculation of *ad valorem* duties; export duties; internal duties; certificates of origin; customs information; formalities in connection with transit, transhipment, etc.; the nationality of goods; the regulation of free traffic; a system of samples and models; certificates of purity and of analysis; and appellations of origin.

headed by Italy, to the multilateral method of negotiations." The conference even adopted a resolution expressing disapproval of multilateral agreements, and noting "with satisfaction that certain states have declared themselves willing to negotiate" by the bilateral method in order "to arrive at a general *détente* in the field of international commercial exchanges."⁹² Italy almost succeeded in forcing the passage of a resolution definitely binding all the member states to the exclusive use of the bilateral method, the proposal being defeated only after Great Britain had taken a vigorous position against it.

SECOND CONFERENCE FOR ECONOMIC ACTION (SECOND SESSION)

The second tariff truce conference convened in second session in March 1931,⁹³ only a month before the date originally stipulated for the expiration of the convention, to consider the date and conditions of putting the commercial convention into force. It developed that while fourteen countries had ratified the convention,⁹⁴ they were unwilling to put it into effect among themselves until other states ratified.^{95a} Certain states, however, definitely would not ratify.⁹⁶ The conference was thus under the necessity either of adopting some method whereby the convention could be kept alive by the procedure of postponement, or else dropping the convention altogether.

Various proposals were offered, the principal ones being (1) that of Great Britain—acceptable to the Netherlands, Belgium, Luxemburg, Latvia, Sweden and Greece—to keep the convention alive beyond April 1,

92. This opposition was based on the ground that bilateral treaties for a great number of years constituted the only effective means of regularizing the economic interests of different countries and of bringing a note of moderation into customs policy; that the experiments which had recently been made under the auspices of the League of Nations concerning multilateral agreements had shown that this method of tariff reduction was fraught with insurmountable difficulties; and that a multilateral customs truce would tend to stabilize very dissimilar economic situations in different countries. (Cf. *ibid.*, p. 99.) The views of this group were forcibly and exhaustively presented in a speech by the Italian delegate before the Preliminary Tariff Truce Conference. Cf. *Preliminary Proceedings*, p. 96-97.

93. *Proceedings of the Second Conference*, cited, p. 23.

94. League of Nations, *Proceedings of the Second International Conference with a view to Concerted Economic Action (Second Session)*, C.269.M.124.1931.II.B.

95. Including Spain, which had ratified a few days before the Conference opened, and Germany which ratified in the course of the session. (*Ibid.*, p. 15, 27.)

95a. *Ibid.*, p. 18.

96. France, upon whose ratification most of the fourteen states had made their assent depend, apologized for its long delay in taking favorable action. Rumania stated frankly that it would not ratify until the other states met its demands with regard to a preferential régime for its wheat products. (*Ibid.*, p. 17.)

but in a state of suspension until a more auspicious time when a date might be fixed for putting it into force, and (2) that of Italy—acceptable in modified form to most of the states—to the effect that the convention should be put into force immediately with a clause attached which would render it void if a sufficient number of nations did not ratify by a specified date.

A majority of the states were favorably inclined to the broad lines of the Italian proposal but no agreement could be reached. One reason was that Great Britain was then actively engaged in its bilateral negotiations with several Continental states, with a view to tariff reductions on specified groups, and preferred a suspension of the commercial convention until the results of those negotiations were determined. It expressed itself as not particularly alarmed at the prospect that the lapse of the convention would have a dangerous effect on the Program of Future Negotiations. In the opinion of Great Britain, the essential thing was the successful issue of the movement to liberalize customs policies. Another reason was that France had not only failed to ratify the convention, but that its Minister of Commerce had proceeded meanwhile, in the words of a Geneva critic, "to unconsolidate progressively all the consolidated duties of its tariff; that is to say, to do exactly the reverse of what had been requested by the League of Nations."⁹⁷

Since it proved impossible to reach an agreement, the conference adopted a protocol⁹⁸ which recorded that it was unable to agree upon a date for putting the commercial convention into force and that it did not intend to express any opinion as to the possibility of doing so at any future date. Subsequently, the Council of the League in May 1931, at its sixty-third session, acting upon the recommendations of the president of the March conference and of the Commission of Inquiry for European Union, authorized the Secretary-General of the League to summon a new meeting "at a suitable moment" to take steps "to put into force the principles

97. William Martin, "Il faut être pour ou contre l'Europe," *Journal de Genève*, March 19, 1931. For a French answer to M. Martin's criticisms, cf. *ibid.*, March 22, 1931. France finally deposited its ratification on May 4, 1931.

98. League of Nations, *Second International Conference with a View to Concerted Economic Action (Second Session)*, *Protocol*, C.212.M.88.1931.II.B.

99. *The Monthly Summary of the League of Nations*, Vol. XI, No. 5, May 1931, p. 132-133.

formulated in the Convention."⁹⁹ In June 1931, however, the Economic Committee of the League decided that "there was no change in the situation since the last session [March 1931] of the Conference for Concerted Economic Action, and that the considerations which prevented the entry of the Convention into force at that moment are still relevant."^{99a} The convention thus remains in suspense.

The Swiss delegate at the March 1931 conference summed up the view of most of the attending states when he declared that the fact that they had been unable to get sufficient countries to ratify even "such an

innocuous and innocent" convention as this one, indicated clearly that Europe was not yet "ripe" for even this small bit of concerted economic action and that it should abandon all ideas of a tariff truce until it was ready for it. The president of the conference echoed this note of pessimism in the frank assertion that the attempts to carry out the recommendations made by the World Economic Conference in 1927 had completely failed. He expressed the hope that, though the states had been unable to bind themselves to refrain from denouncing the commercial treaties, they would not use this liberty which they had just regained to do so.

CONCLUSION

These two major efforts of the League to attack the political barriers to international trade have not achieved their aim: neither the import and export prohibition convention nor the convention for concerted economic action is generally in force today.¹⁰⁰ The reasons for the League failure seem to be twofold. First, the economic interests of the many nations attending League conferences have been too divergent to permit reconciliation by treaty. In some countries, industries for many years have been built up with the aid of high tariffs, and the political influence of these industries is great enough to prevent the government of the country concerned from consenting to tariff reduction. In other countries, a type of social organization has been developed with the aid of tariffs, such as the agricultural economy of France and Switzerland. Such countries do not wish to sacrifice their way of life even though under free trade they could purchase their agricultural produce from the countries of Eastern Europe more cheaply. Secondly, political mistrust seems to have contributed to the defeat of the efforts toward general tariff reduction. Tariff reduction means the growth of economic interdependence, and so long as the fear of war is real, one nation does not wish to become dependent upon another nation for vital economic needs, for such dependence might mean defeat in wartime. Thus, until the

League reduces political fears, many observers believe that there is little likelihood of universal tariff reduction.

On the other hand, the work of League economic conferences has been of considerable indirect importance. As a result of these conferences, the influence of national economic policies upon the course of international relations has been forcibly recognized.¹⁰¹ After the World Economic Conference of 1927, France concluded a commercial treaty with Germany in August 1927 in which she agreed to return to the most-favored-nation policy.¹⁰² Moreover, after the conference on the abolition of import and export prohibitions, seventeen states on July 11, 1927 at Geneva signed a convention agreeing to abolish, subject to certain conditions, export duties on hides and skins.¹⁰³ The attempt to reduce duties on certain commodities was an outgrowth of League discussions which may eventually bring tangible results. Also, it was partly as a result of League efforts that new bilateral efforts at tariff reduction by states having mutual economic interests have been undertaken. The results of such efforts will be described in a forthcoming report.

101. Referring to the convention for the abolition of import and export prohibitions, the president of the conference which concluded this convention declared: "It is a striking fact that the Convention is the first multilateral treaty regulating commercial relations between States." (*Proceedings of the International Conference*, cited, p. 156.)

102. "The Franco-American Tariff Dispute," F. P. A. *Information Service*, Vol. III, No. 17, October 26, 1927, p. 248.

103. League of Nations, Second International Conference on Hides and Skins and Bones, *Proceedings of the Conference*, C.524.M.154.1928.II. A second international agreement, limiting the height of the export duties on bones, also was signed.

99a. League of Nations, Information Section, *Thirty-fifth Session of the Economic Committee* (June 18-22, 1931).

100. For the limited application of the first convention, cf. p. 210, footnote 36.